



EXHIBIT 5  
DATE 4-10-07  
SB 400

April 10, 2007

TO: Chairman Sinrud and Members of the House Appropriations Committee

FROM: Joy Bruck, Volunteer Advocate, AARP Montana

RE: Support of SB 400, Earned Income Tax Credit

Chairman Sinrud and members of the committee for the record my name is Joy Bruck, volunteer advocate for AARP Montana. AARP is a non-profit, non-partisan membership organization that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. We currently have over 154,000 members in Montana.

AARP strongly supports SB 400, which creates a state Earned Income Tax Credit (EITC). Created nationally in 1975, this refundable tax credit is intended to offset the burden of the Social Security payroll tax on low-income workers and to encourage low-income individuals to work. Taxpayers must file a tax return in order to claim the credit. The amount that eligible individuals may claim depends on their earned income and whether they have one, more than one or no qualifying children. The AARP Tax-Aide counseling program, which provides free tax assistance, helped more than one million workers receive the credit last year.

A state EITC can help reduce poverty among workers with children and complement welfare reform by helping low-wage workers support their families as they leave public assistance. Now that Montana is experiencing a surplus that will allow us to reduce taxes, AARP believes we should enact an Earned Income Tax Credit so that low- and moderate-income workers and their families can also share in the tax benefits of prosperity.

Unlike other tax credit proposals that have been heard this session, this credit is not meant to modify behavior, but directly reduces poverty. President Ronald Reagan called the EITC, "the best anti-poverty, the best pro-family, the best job creation measure to come out of Congress." Earned Income Tax Credits provide targeted relief to those who need it most: low-income families who are working, but cannot get above the poverty line. In Montana these families are still taxed, but are considered to be severely poor.

Montana working families deserve a tax break. This will help all Montanans as the number of people living in poverty is reduced. Under the current form of the bill, the EITC will provide a little extra relief each year that can be used to pay for health care and insurance, housing, child care, food and clothing.

Please support SB 400.